

# #Q1\_2017

## Orange financial results

**Ramon Fernandez**

Deputy CEO, Chief Financial and Strategy Officer

27 April 2017



## Disclaimer

This presentation contains forward-looking statements about Orange. Although we believe these statements are based on reasonable assumptions, they are subject to numerous risks and uncertainties, including matters not yet known to us or not currently considered material by us, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ from the results anticipated in the forward-looking statements include, among others: the success of Orange's strategy, particularly its ability to maintain control over customer relations when facing competition with OTT players, risks related to banking activities, loss or disclosure to third parties of customers data, Orange's ability to withstand intense competition in mature markets, networks or software failures due to cyberattacks, damage to networks caused by natural disasters, terrorist acts or other reasons, various frauds affecting Orange or its clients, Orange's ability to retain the necessary skills given the high level of employee retirements and the development of new needs, difficulties in integrating newly acquired businesses as part of the telecommunication sector's consolidation in Europe, its ability to capture growth opportunities in emerging markets and the risks specific to those markets, possible adverse health effects associated with the use of telecommunications equipment, risks related to the single brand strategy, the eruption of a global financial or economic crisis, fiscal and regulatory constraints and changes, the results of litigation regarding regulations, competition and other matters, disagreements with its co-shareholders in companies that Orange does not control, the terms of access to capital markets, interest rate or exchange rate fluctuations, Orange's credit ratings, changes in assumptions underlying the accounting value of certain assets resulting in their impairment, and credit risks or counterparty risks on financial transactions. More detailed information on the potential risks that could affect our financial results is included in the Registration Document filed on April 6, 2017 with the French Autorité des Marchés Financiers (AMF) and in the annual report on Form 20-F filed on April 7, 2017 with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. Other than as required by law, Orange does not undertake any obligation to update them in light of new information or future developments.

**Section one**

**Financial results  
overview**



# Q1 2017 Group achievements

yoY : comparison with the same period of the previous year, on a comparable basis unless otherwise specified  
\* see slide 23 for EBITDA adjustments

Revenue

€ **10.1** bn

YoY

+0.8%  
+€85m

Adjusted  
EBITDA\*

€ **2.6** bn

YoY

+2.0%  
+€50m

Capex

€ **1.5** bn

YoY

+2.1%  
+€30m

Group  
customers



**265** m

YoY

+1.0%

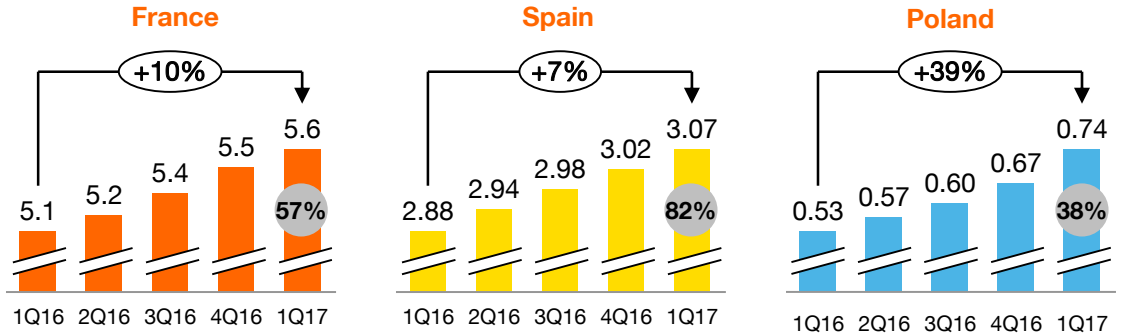
# Convergence, the bedrock of our commercial performance

Convergence: client with an offer combining at least one broadband access (xDSL, FTTx or LTE4Fixed with cell-lock) and a mobile voice contract.



## Convergent B2C customer base in m

% % of broadband B2C customer base



## Churn improvement with convergence\*

-2pts

-7pts

-4pts

## B2C billed services quarterly ARPCO (Average Revenue Per Convergent Offer), in €/month

**€61.5**  
+0.0% yoy

**€55.0**  
+5.2% yoy

**€26.0**  
-9.8% yoy

## Convergent billed service revenue B2C yoy growth

**+10%**

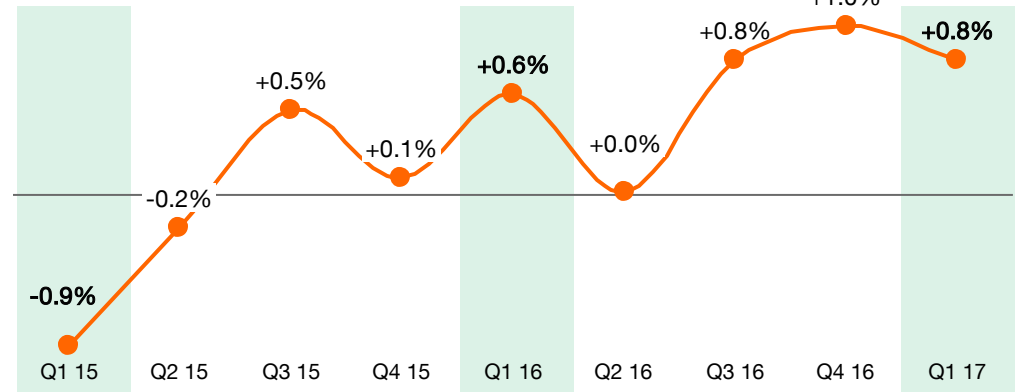
**+12%**

**+23%**

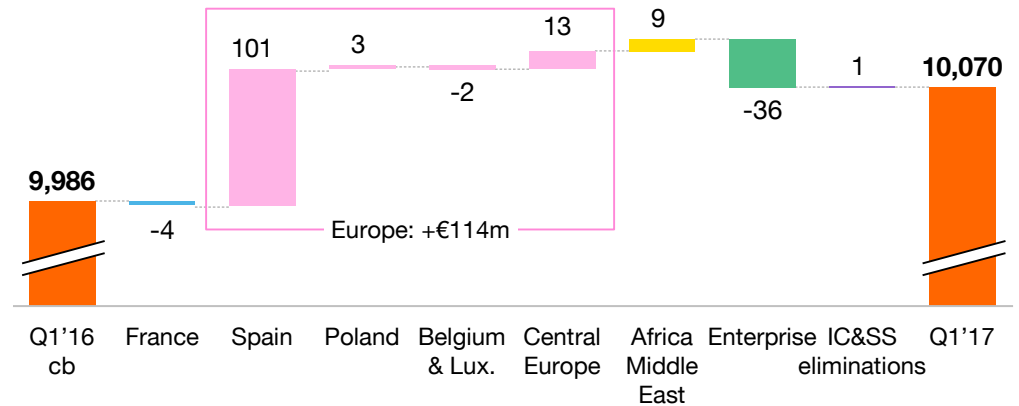
\* Churn differential between convergent B2C customers and total fixed BB B2C customers

# Another quarter of organic growth, mostly driven by Spain

Group revenue growth yoy



Q1 revenue evolution, telecom (in €m)



Q1 2017 revenue\*

**€10.1bn**

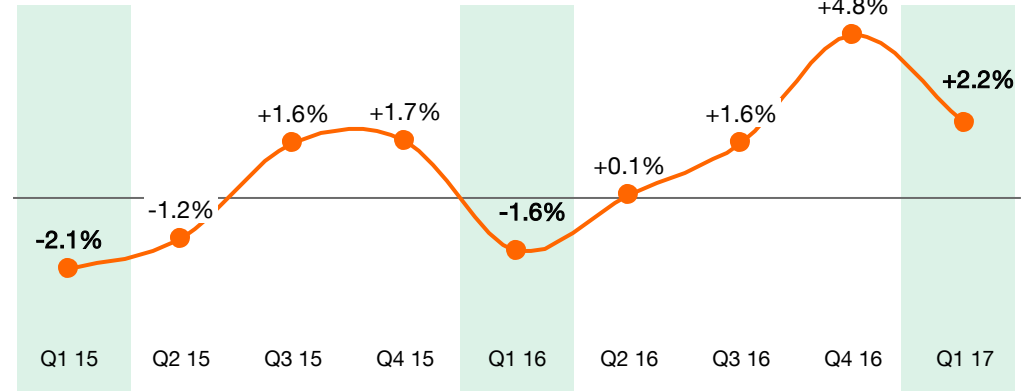
YoY

+0.8%  
+€85m

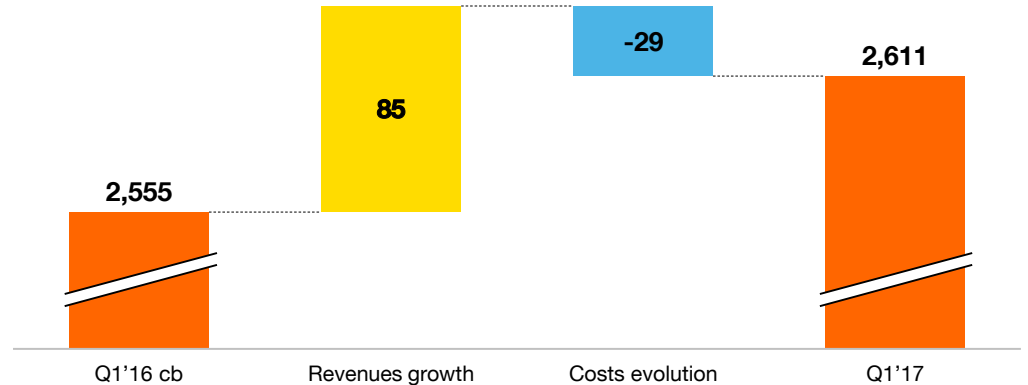
\* Orange Bank Net Banking Income is not included in Group revenues but in Group other operating income

# Growth in adjusted EBITDA driven by revenue growth and cost containment

Adjusted Ebitda growth (telecom, yoy in %)



Adjusted EBITDA evolution (telecom, in €m)



Q1 2017  
Adjusted EBITDA  
(telecom)

**€2.6bn**

YoY  
**+2.2%**  
**+€57m**

As % of rev.  
**25.9%**  
**+0.3pt yoy**

# Sustained investment efforts to keep our competitive advantage in connectivity

Q1 2017 CAPEX  
(telecom)

**€1.5bn**

14.7% of rev.

YoY

+1.4%

+€21m



## % of population covered by 4G and yoy growth



100%

+1pt

Belgium



99%

+10pt

Poland



98%

+13pt

Moldova



91%

+4pt

Spain



89%

+8pt

France



83%

+11pt

Romania



80%

+15pt

Slovakia



## FTTH connectable homes

Spain



10.0 m

YoY

+35%

France



7.4 m

+35%

Centr. Eur



2.4 m

x7

Poland



1.7 m

x2



**Section two**

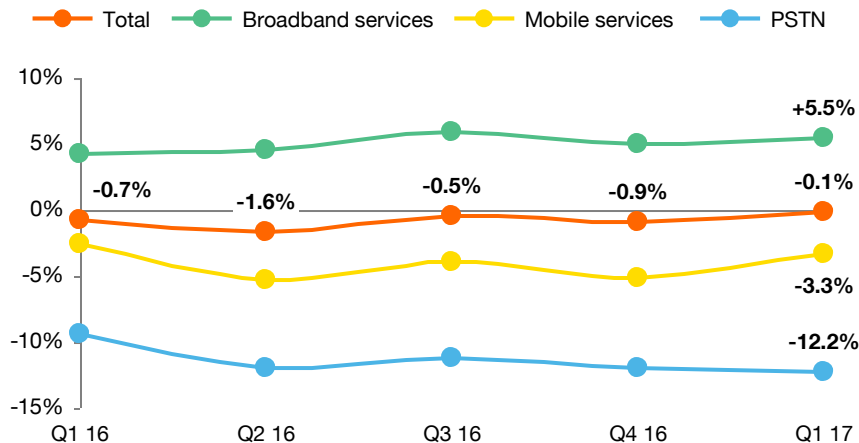
**Business review**

# Q1 2017 France

BB and fixed wholesale continue to support revenue trend improvement

| in m€            | Q1 17        | Q1 16 cb     | yoy cb       |
|------------------|--------------|--------------|--------------|
| <b>Revenues</b>  | <b>4,427</b> | <b>4,431</b> | <b>-0.1%</b> |
| mobile services  | 1,576        | 1,629        | -3.3%        |
| mobile equipment | 147          | 144          | +2.5%        |
| fixed services   | 2,564        | 2,523        | +1.6%        |
| other revenues   | 140          | 135          | +3.5%        |

## Revenue evolution (yoy in %)

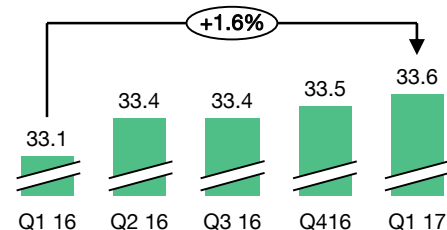


## Broadband ARPU

Quarterly ARPU, €/month



33.6€

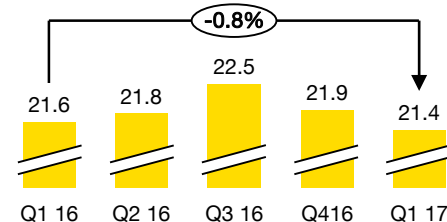


## Mobile ARPU

Quarterly ARPU, €/month



21.4€



## Convergence (B2C)



Quarterly billed services ARPCO, €/month

€61.5 +0.0% yoy



Number of mobile lines per convergent offer

1.5 +0.03 yoy




Revenues  
**+10%**

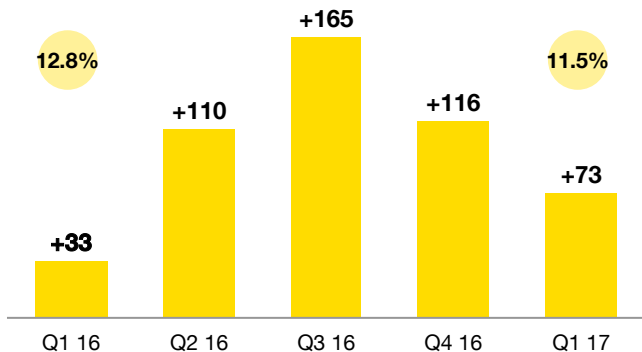


Churn differential\*  
**-2 pts**


# Q1 2017 France commercial performance

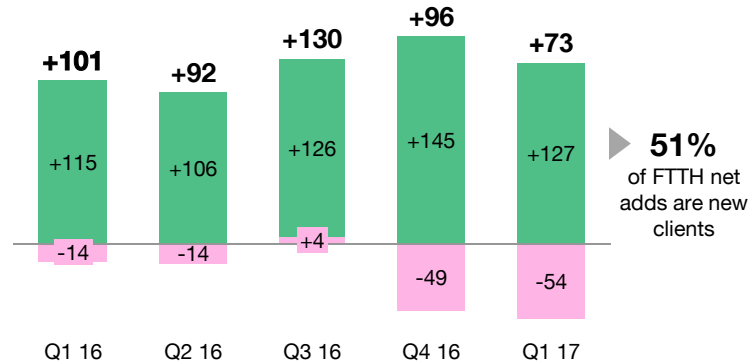
Strong net adds in mobile and broadband despite a very competitive environment

 Mobile contract net adds (in '000s) and churn rate  
■ net adds excl M2M    ● quarterly churn rate in %




**57%**  
of broadband B2C customers are on **convergent** offers (+3pt yoy)

 Fixed BB net adds (in '000s)  
■ FTTH    ■ ADSL and others




**4G 64%** of Mass-Market **contract** customers have a **4G plan** (+15pts yoy)

 **70%** of B2C mobile-voice contracts are on **SIM-only** offers (+15pt yoy)

 **89%** of **4G** population coverage (+8pts yoy)

 **7.4m** of **FTTH** connectable homes (+35% yoy)

 **1.6m** of **FTTH** customers (+47% yoy)

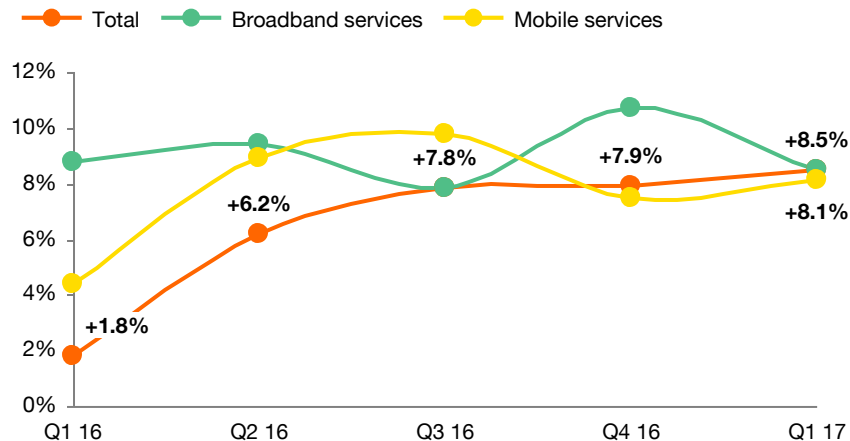
 **40%** of retail BB customers are on **high-end offers\*** (+0pt yoy)

# Q1 2017 Spain

Very strong performance driven by solid growth in customer base and in ARPU

| in m€            | Q1 17        | Q1 16 cb     | yoy cb       |
|------------------|--------------|--------------|--------------|
| <b>Revenues</b>  | <b>1,290</b> | <b>1,189</b> | <b>+8.5%</b> |
| mobile services  | 654          | 605          | +8.1%        |
| mobile equipment | 135          | 119          | +14.1%       |
| fixed services   | 500          | 466          | +7.5%        |

## Revenue evolution\*\* (yoy in %)

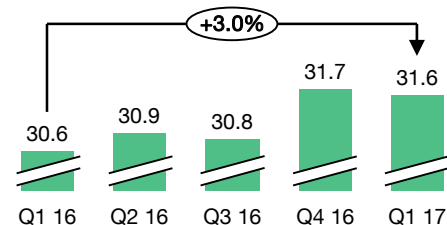


## Broadband ARPU

Quarterly ARPU, €/month



**31.6€**

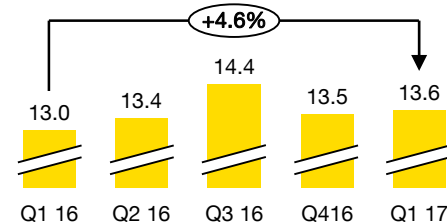


## Mobile ARPU

Quarterly ARPU, €/month



**13.6€**



## Convergence (B2C)

Quarterly billed services ARPCO, €/month



**€55.0** +5.2% yoy



Revenues  
**+12%**

Number of mobile lines per convergent offer




**1.8** +0.06 yoy

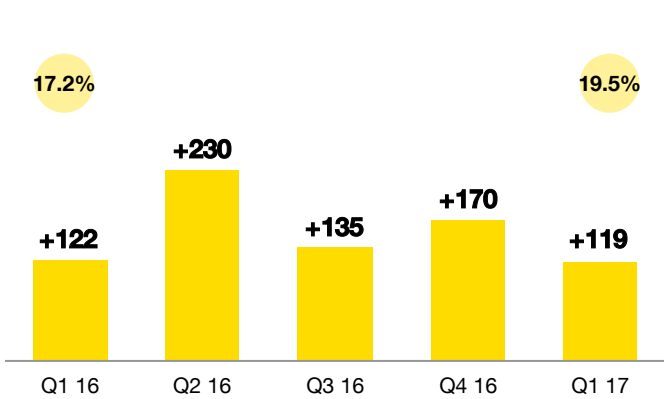


Churn differential\*  
**-7 pts**



# Q1 2017 Spain commercial performance


Convergence and FTTH driving solid growth in fixed and mobile customer base

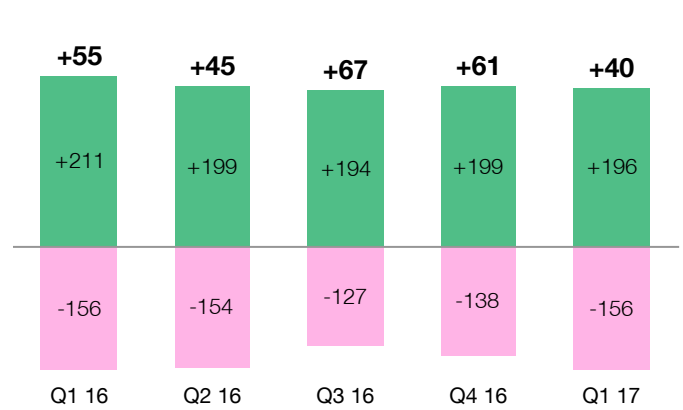
 Mobile contract net adds and churn rate






**82%**  
of broadband B2C customers are on **convergent** offers (+1.5pt yoy)

- 4G** 8.2m **4G** customers (+42% yoy)
-  **99%** of B2C mobile voice contract are on **SIM-only** offers
-  **3.1m** B2C **broadband convergent** customers (+188k yoy)

 Fixed BB net adds (in '000s)






-  **10.0m** **FTTH** connectable homes (+2.6m yoy)
-  **1.8m** **FTTH** customers (x1.8 yoy) 43% penetration of the FBB base
-  **537k** **TV** customers 13% penetration of the FBB base

# Q1 2017 Poland

Focus on Broadband and convergence with solid FTTH and Wireless for fixed take-up

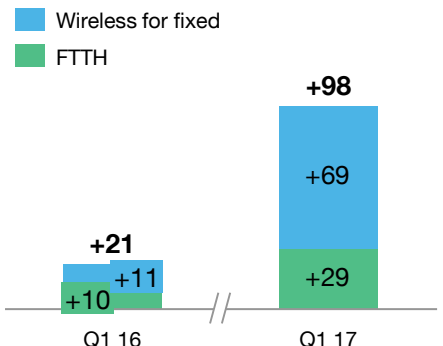
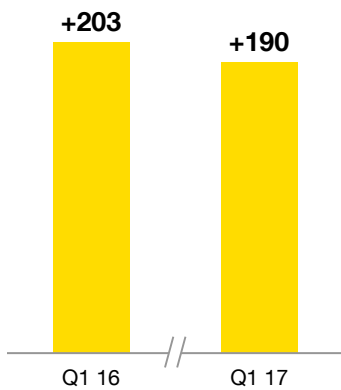
| in m€            | Q1 17      | Q1 16 cb   | yoy cb       |
|------------------|------------|------------|--------------|
| <b>Revenues</b>  | <b>652</b> | <b>649</b> | <b>+0.5%</b> |
| mobile services  | 287        | 307        | -6.6%        |
| mobile equipment | 73         | 44         | +65.0%       |
| fixed services   | 262        | 277        | -5.4%        |
| other revenues   | 30         | 20         | +51.3%       |

YoY





-  **9.5m** Mobile **contract** customers **+11%**
-  **0.7m** Broadband B2C **convergent** customers **+39%**
-  **1.7m** **FTTH** connectable homes **x2.1**

 **Mobile contract net adds**  
in '000s

 **Promising Fixed BB take-up\*\***  
(net adds in '000s)



## Convergence (B2C)

-  Quarterly billed services ARPCO, €/month **€26.0** -9.8% yoy
-  Revenues **+23%**
-  Number of mobile lines per convergent offer **1.9** +0.2 yoy
-  Churn differential\* **-4 pts**

14 \*\* Starting Q1 2017, wireless for fixed is reported in fixed broadband (previously in mobile)

\* Churn differential between convergent B2C customers and total fixed BB B2C customers

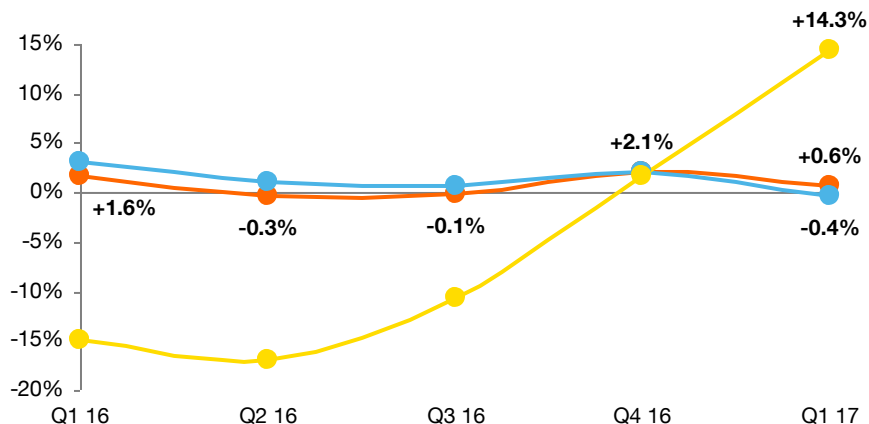
# Q1 2017 Belgium & Luxembourg

Successful launch of the convergent offer LOVE. ARPU still growing thanks to 'more for more' strategy

| in m€            | Q1 17      | Q1 16 cb   | yoy cb       |
|------------------|------------|------------|--------------|
| <b>Revenues</b>  | <b>307</b> | <b>309</b> | <b>-0.7%</b> |
| mobile services  | 253        | 254        | -0.4%        |
| mobile equipment | 27         | 31         | -13.1%       |
| fixed services   | 21         | 18         | +14.3%       |
| other revenues   | 6          | 6          | +6.7%        |

## Total Fixed and Mobile services revenue growth in Q1 17 thanks to convergence (yoy in %)

—● Total service revenues
 —● Mobile service revenues
 —● fixed services revenues

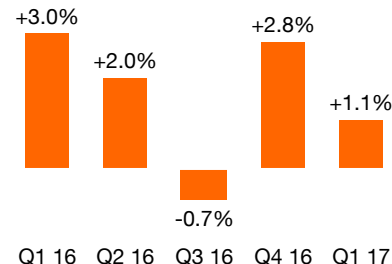


## Belgium contract ARPU growing despite EU roaming

Quarterly ARPU, €/month and yoy growth



28.9€



3.2m

mobile **contract** customers

+5%  
yoy



1.5m

4G customer base

+39%  
yoy



50k

Belgium **cable** customers

+16k  
qoq

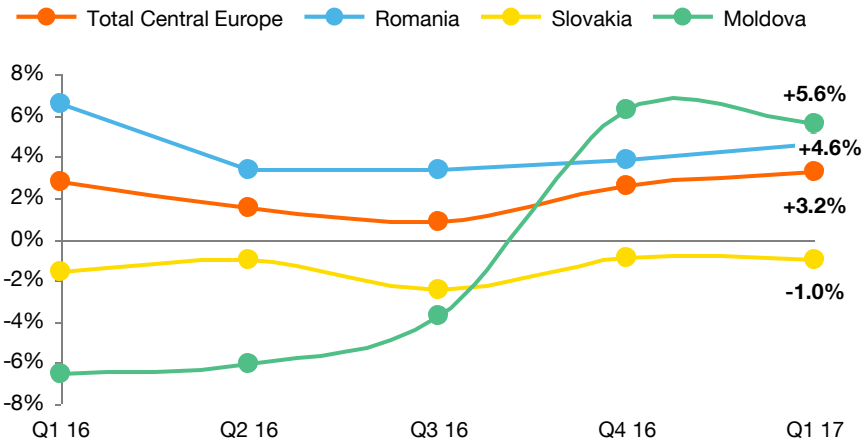
# Q1 2017 Central European countries

Solid revenue growth boosted by data monetization and smartphone penetration

| in m€            | Q1 17      | Q1 16 cb   | yoy cb       |
|------------------|------------|------------|--------------|
| <b>Revenues</b>  | <b>409</b> | <b>396</b> | <b>+3.2%</b> |
| mobile services  | 331        | 327        | +1.2%        |
| mobile equipment | 31         | 25         | +20.5%       |
| fixed services   | 35         | 33         | +6.9%        |
| other revenues   | 12         | 10         | +12.0%       |

## Revenue growth boosted by Romania

yoy in %



8.1m

mobile contract customers

+3%  
yoy



3.5m

4G customer base

x1.8  
yoy



231k\*

VHBB customers



o/w 40k customers from acquisition of Sun communications



41k

Orange Money Romania customers since launch in November 16



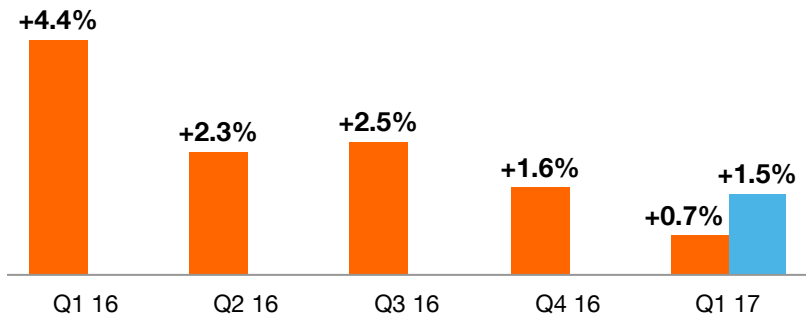
# Q1 2017 Africa & Middle East

Customer base upturn confirmed in Q1 while revenues growth impacted by calendar effect

| in m€            | Q1 17        | Q1 16 cb     | yoy cb       |
|------------------|--------------|--------------|--------------|
| <b>Revenues</b>  | <b>1,239</b> | <b>1,231</b> | <b>+0.7%</b> |
| mobile services  | 1,038        | 1,012        | +2.6%        |
| mobile equipment | 17           | 17           | +1.1%        |
| fixed services   | 165          | 187          | -11.3%       |
| other revenues   | 19           | 16           | +23.1%       |

## Revenues yoy growth in %

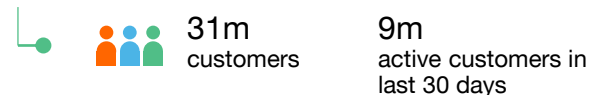
- Revenues growth
- Restated for bissextile year impact



## New business drivers continue to sustain growth

**+64%**

Orange Money revenue growth yoy in Q1



**+31%**

Data revenue growth yoy in Q1



**+11%**

B2B revenue growth yoy in Q1

# Q1 2017 Enterprise

Pressure on voice, ongoing growth of IT and integration services

| in m€           | Q1 17        | Q1 16 cb     | yoy cb       |
|-----------------|--------------|--------------|--------------|
| <b>Revenues</b> | <b>1,796</b> | <b>1,832</b> | <b>-2.0%</b> |
| voice           | 358          | 383          | -6.4%        |
| data            | 688          | 706          | -2.6%        |
| IT&IS           | 510          | 497          | +2.6%        |
| mobile          | 240          | 246          | -2.7%        |



Security  
revenue growth

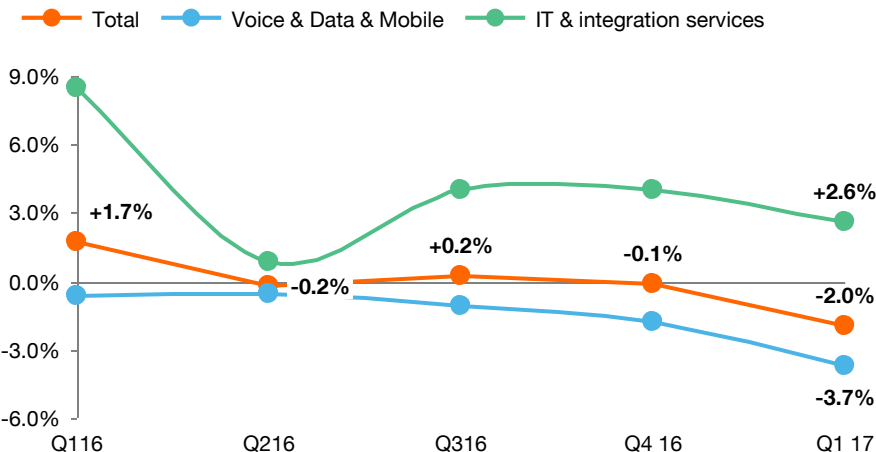
**+15%** yoy



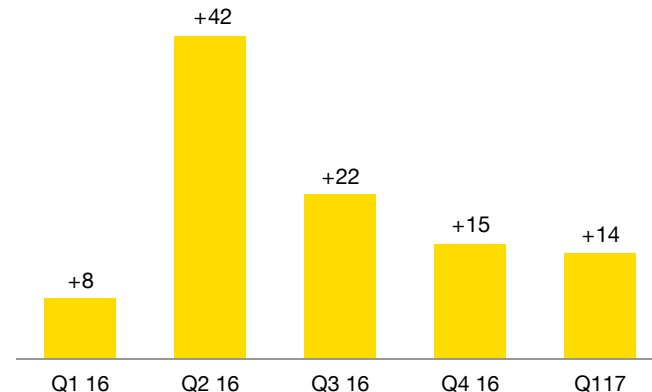
Cloud  
revenue growth

**+19%** yoy

## Revenues per segment (yoy in %)



## Mobile contract net adds excl.M2M (mostly in France)



# Section four

# 2017 guidance



# 2017 guidance confirmed

\*subject to shareholders' approval

\*\*ex-date June 12th, record date June 13th, payment date June 14th



Group  
adjusted  
EBITDA

Net debt /  
Adjusted  
EBITDA  
Telecom

Dividend

M&A  
policy

**2017 > 2016** comparable  
basis

**Around 2x**  
in the medium term


2017 dividend \*

**€0.65**



June 2017\*\*  
2016 balance of €0.4\*



December 2017  
2017 interim of €0.25 

**Selective with focus on existing  
footprint**

# Appendices

## Appendix: B2C + B2B Orange customers in France

| Mobile KPIs (in thousands)                | Q1'16         | Q2'16         | Q3'16         | Q4'16         | Q1'17         |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Mobile customers (excl. MVNOs)</b>     | <b>28,612</b> | <b>28,966</b> | <b>29,508</b> | <b>30,033</b> | <b>30,489</b> |
| Contract                                  | 24,581        | 25,069        | 25,759        | 26,486        | 27,090        |
| M2M                                       | 4,277         | 4,611         | 5,115         | 5,711         | 6,228         |
| Excluding M2M                             | 20,305        | 20,457        | 20,644        | 20,775        | 20,862        |
| Prepaid                                   | 4,030         | 3,897         | 3,748         | 3,547         | 3,398         |
| <b>Mobile volume market share (in %)*</b> | <b>35.1%</b>  | <b>35.3%</b>  | <b>35.4%</b>  | <b>35.5%</b>  | <b>35.7%</b>  |

| Fixed KPIs (in thousands)               | Q1'16         | Q2'16         | Q3'16         | Q4'16         | Q1'17         |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Broadband customers</b>              | <b>10,830</b> | <b>10,923</b> | <b>11,056</b> | <b>11,151</b> | <b>11,220</b> |
| o/w xDSL                                | 9,698         | 9,686         | 9,693         | 9,643         | 9,587         |
| o/w FTTH customers                      | 1,075         | 1,181         | 1,308         | 1,452         | 1,579         |
| <b>Broadband market share (in %)*</b>   | <b>40.0%</b>  | <b>40.1%</b>  | <b>40.3%</b>  | <b>40.2%</b>  | <b>40.2%</b>  |
| Net adds broadband market share (in %)* | 45.3%         | 64.2%         | 58.1%         | 36.8%         | 37.0%         |

\* Numbers for the latest quarter are company estimates.

# EBITDA adjustments

| in €m                         | Q1'16 actual | Q1'16 cb     | Q1'17        |
|-------------------------------|--------------|--------------|--------------|
| <b>Adjusted EBITDA</b>        | <b>2,569</b> | <b>2,548</b> | <b>2,598</b> |
| restructuring and integration | -113         | -112         | -5           |
| litigations                   | 39           | 39           | 15           |
| labour related                | -30          | -30          | -24          |
| o\w Senior Part Time          | -30          | -30          | -24          |
| portfolio review and others   | -16          | -6           | -6           |
| <b>Reported EBITDA</b>        | <b>2,449</b> | <b>2,439</b> | <b>2,578</b> |

# Revenues yoy evolution

